

# Muang Thai Capital

(MTC.BK/MTC TB)\*

## Outperform Maintained

Price as of 11 Aug 2020	49.00
12M target price (Bt/shr)	61.00
Unchanged/Revised up (down) (%)	Unchanged
Upside/downside (%)	24.5

### Key messages

MTC reported 2Q20 earnings of Bt1.2bn (+2% QoQ, +24% YoY). The result was 13% above our forecast and 6% above the market consensus due to lower than expected provisioning expense and no yield pressure. The company's 1H20 earnings accounted for 52% of our forecast. Though 2Q20 earnings were higher than our forecast, a lower loan yield will pressure the earnings outlook and limit earnings upgrades in 2H20. The company has to try hard to maintain its earnings and asset quality. Although we rate Outperform with a 12-month target price of Bt61.00 (PE 25x), we prefer to buy on the dip.

## 2Q20 earnings review: Beat forecasts

### Event

MTC reported 2Q20 earnings of Bt1.2bn (+2% QoQ, +24% YoY). The result was 13% above our forecast and 6% above the market consensus due to lower than expected provisioning expense and no yield pressure. The 1H20 earnings were Bt2.5bn, accounting for 52% of our full-year forecast.

### Impact

#### Loan growth was flat QoQ and grew at slower pace of 16% YoY

Overall loans grew slightly less than 1% QoQ and 16% YoY, while branch expansion accelerated by 274 offices QoQ and 461 offices YTD. However, loan yield was a positive surprise and was flat QoQ and rose 30bps YoY. Funding cost declined 20bps QoQ and boosted loan spread by 20bps QoQ and 10bps YoY.

#### Asset quality – Looks better due to BoT assistance measure

The company reported lower gross NPLs of Bt660mn (-10% QoQ, +11% YoY) with a NPL ratio of 1.1% and stable NPL coverage of 204%. MTC classified troubled debt impacted by COVID-19 as performing loans, which allowed the company to report low NPLs and credit cost. Credit cost was around 15bps in 2Q20, down from 40bps in 1Q20, and 139bps in 2Q19.

### Valuation and action

Though 2Q20 earnings were higher than our forecast, a lower loan yield will pressure the earnings outlook and limit earnings upgrades in 2H20. The company has to try hard to maintain its earnings and asset quality. Although we rate Outperform with a 12-month target price of Bt61.00 (PE 25x), we prefer to buy on the dip.

### Risks

Liquidity crunch, NPL ratio >3% of loan, credit cost >100bps.

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## Key financials and valuations

	Dec-17A	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Pre-pro. profit (Bt mn)	3,785	5,213	5,847	6,290	7,466	9,282
Pretax profit (Bt mn)	3,106	4,627	5,293	5,701	6,759	8,584
Net income (Bt mn)	2,501	3,713	4,237	4,858	5,762	6,307
EPS (Bt)	1.18	1.75	2.00	2.29	2.72	2.98
DPS	0.18	0.26	0.30	0.35	0.50	1.50
EPS Growth (%)	70.8	48.5	14.1	14.6	18.6	9.5
Dividend Yield (%)	0.4	0.5	0.5	0.7	1.0	3.1
P/E (x)	37.3	27.7	30.1	21.4	18.0	16.5
P/BV (x)	10.4	8.4	8.0	5.1	4.4	2.8
ROAA (%)	8.1	8.6	7.6	7.5	6.9	6.8
ROAE (%)	32.0	35.0	30.0	28.1	24.8	24.1

Source: Company data, KGI Research

**Figure 1: MTC's quarterly earnings**

Bt mn											% chg				
	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY	1H19	1H20	% chg
<b>Income Statement (Bt mn)</b>															
Interest income	2,140	2,314	2,478	2,612	2,665	2,862	3,105	3,248	3,332	3,385	1.6	18.3	5,528	6,717	21.5
Interest expense	230	258	293	319	331	363	408	425	433	447	3.4	23.3	694	880	26.8
<b>Interest income - net</b>	<b>1,910</b>	<b>2,056</b>	<b>2,185</b>	<b>2,293</b>	<b>2,334</b>	<b>2,500</b>	<b>2,697</b>	<b>2,822</b>	<b>2,900</b>	<b>2,938</b>	<b>1.3</b>	<b>17.5</b>	<b>4,834</b>	<b>5,838</b>	<b>20.8</b>
Operating expense	916	985	1,060	1,139	1,154	1,232	1,428	1,500	1,491	1,520	1.9	23.4	2,386	3,012	26.2
<b>Operating profit</b>	<b>993</b>	<b>1,071</b>	<b>1,125</b>	<b>1,155</b>	<b>1,180</b>	<b>1,267</b>	<b>1,269</b>	<b>1,322</b>	<b>1,408</b>	<b>1,418</b>	<b>0.7</b>	<b>11.9</b>	<b>2,448</b>	<b>2,826</b>	<b>15.5</b>
Provisioning expense	156	158	160	112	117	189	116	132	63	64	1.6	(66.2)	306	127	(58.5)
Loss on selling asset	3.6	0.4	-	(1.2)	-	-	-	-	-	1			-	1	
Other income	208	222	233	208	193	209	200	207	208	180	(13.2)	(13.5)	401	388	3.3
<b>Pre-tax profit</b>	<b>1,042</b>	<b>1,135</b>	<b>1,198</b>	<b>1,252</b>	<b>1,256</b>	<b>1,287</b>	<b>1,352</b>	<b>1,398</b>	<b>1,554</b>	<b>1,573</b>	<b>1.3</b>	<b>22.3</b>	<b>2,543</b>	<b>3,127</b>	<b>23.0</b>
Income tax	208	223	233	250	251	266	272	267	316	307	(3.0)	15.4	517	623	20.6
<b>Net profit</b>	<b>834</b>	<b>912</b>	<b>965</b>	<b>1,002</b>	<b>1,005</b>	<b>1,021</b>	<b>1,080</b>	<b>1,131</b>	<b>1,237</b>	<b>1,267</b>	<b>2.4</b>	<b>24.1</b>	<b>2,026</b>	<b>2,504</b>	<b>23.6</b>
<b>EPS (Bt)</b>	<b>0.39</b>	<b>0.43</b>	<b>0.46</b>	<b>0.47</b>	<b>0.47</b>	<b>0.48</b>	<b>0.51</b>	<b>0.53</b>	<b>0.58</b>	<b>0.60</b>	<b>2.4</b>	<b>24.1</b>	<b>0.96</b>	<b>1.18</b>	<b>23.6</b>
<b>Profitability (%)</b>															
Loan yield	22.5%	22.3%	22.1%	21.7%	21.1%	21.1%	21.5%	21.6%	21.3%	21.4%					
Loan yield + fee	24.6%	24.3%	24.0%	23.3%	22.5%	22.4%	22.8%	22.8%	22.5%	22.5%					
Cost of funds	4.0%	3.9%	4.1%	4.1%	4.1%	4.0%	4.3%	4.3%	4.2%	4.0%					
Loan spread	20.6%	20.4%	19.9%	19.3%	18.4%	18.4%	18.6%	18.5%	18.3%	18.5%					
Cost-to-income ratio	39.3%	39.1%	39.5%	40.6%	40.6%	40.5%	43.4%	43.7%	42.3%	42.7%					
Effective tax rate	20.0%	19.6%	19.4%	20.0%	20.0%	20.7%	20.1%	19.1%	20.4%	19.5%					
ROAA	8.58%	8.59%	8.46%	8.16%	7.74%	7.32%	7.30%	7.31%	7.28%	7.23%					
ROAE	34.1%	35.4%	34.2%	32.6%	30.2%	29.6%	29.1%	28.3%	28.5%	28.2%					
<b>Growth (% YoY)</b>															
Loan growth	46.4%	41.5%	38.5%	34.9%	33.1%	31.0%	28.7%	25.4%	23.6%	16.3%					
Revenue growth	50%	44%	38%	30%	22%	21%	22%	22%	24%	16%					
Operating income growth	48%	44%	40%	27%	19%	18%	13%	15%	19%	12%					
LLP growth	7%	-20%	-5%	-33%	-25%	20%	-27%	18%	-46%	-66%					
Other income growth	40%	34%	36%	9%	-7%	-6%	-14%	0%	8%	-14%					
Net profit growth	55%	60%	48%	35%	21%	12%	12%	13%	23%	24%					
<b>Branch</b>															
Branch	2,638	2,889	3,178	3,279	3,444	3,739	3,961	4,107	4,294	4,568					
New branch	214	251	289	101	165	295	222	146	187	274					
<b>Loan (Bt bn)</b>															
Loan (Bt bn)	38.0	41.5	44.8	48.0	50.59	54.32	57.65	60.25	62.54	63.17					
Loan growth (yoy %)	46.4	41.5	38.5	34.9	33.1	31.0	28.7	25.4	23.6	16.3					
<b>Asset quality</b>															
NPL (Bt mn)	491	559	566	540	527	595	565	621	738	661					
NPL ratio (%)	1.29	1.35	1.26	1.12	1.04	1.10	0.98	1.03	1.18	1.05					
LLR/Loan (%)	3.37	3.33	3.27	3.12	3.06	3.02	2.90	2.84	2.37	2.21					
Credit cost (bps)	164	152	143	93	92	139	83	90	39.9	15.6					
NPL coverage (%)	261	247	259	278	294	276	296	276	201	212					

Source: Company data, KGI Research

# Corporate Governance Report of Thai Listed Companies



## Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
EGCO	ELECTRICITY GENERATING	KTB	KRUNG THAI BANK	TISCO	TISCO FINANCIAL GROUP
KBANK	KASIKORN BANK	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING		
KKP	KIATNAKIN BANK	SCB	THE SIAM COMMERCIAL BANK		



## Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	ERW	THE ERAWAN GROUP	SCC	THE SIAM CEMENT
AOT	AIRPORTS OF THAILAND	GFPT	GFPT	SPALI	SUPALAI
AP	ASIAN PROPERTY DEVELOPMENT	IFEC	INTER FAR EAST ENGINEERING	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
BBL	BANGKOK BANK	LPN	L.P.N. DEVELOPMENT	SVI	SVI
BH	BUMRUNGRAD HOSPITAL	MINT	MINOR INTERNATIONAL	TASCO	TIPO ASPHALT
BIGC	BIG C SUPERCENTER	PS	PRUKSA REAL ESTATE	TCAP	THANACHART CAPITAL
CK	CH. KARNCHANG	QH	QUALITY HOUSES	TMB	TMB BANK
CPALL	CP ALL	ROBINS	ROBINSON DEPARTMENT STORE	TRUE	TRUE CORPORATION
CPN	CENTRAL PATTANA	RS	RS		
DRT	DIAMOND ROOFING TILES	SAMART	SAMART CORPORATION		



## Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
CENDEL	CENTRAL PLAZA HOTEL	HMPRO	HOME PRODUCT CENTER	MAKRO	SIAM MAKRO
DCC	DYNASTY CERAMIC	ILINK	INTERLINK COMMUNICATION	MODERN	MODERNFORM GROUP
GL	GROUP LEASE	KTC	KRUNGTHAI CARD	TRT	TIRATHAI
GLOW	GLOW ENERGY	MAJOR	MAJOR CINEPLEX GROUP	TVO	THAI VEGETABLE OIL

## Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	CHG	CHULARAT HOSPITAL	NOK	NOK AIRLINES
ANAN	ANANDA DEVELOPMENT	CKP	CK POWER	PACE	PACE DEVELOPMENT CORPORATION
BA	BANGKOK AIRWAYS	DTAC	TOTAL ACCESS COMMUNICATION	SAWAD	SRIAWAD POWER 1979
BCH	BANGKOK CHAIN HOSPITAL	GLOBAL	SIAM GLOBAL HOUSE	TMT	THAI METAL TRADE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	TPCH	TPC POWER HOLDING
BEM	BANGKOK EXPRESSWAY AND METRO	GUNKUL	GUNKUL ENGINEERING	WHA	WHA CORPORATION
BJCHI	BJC HEAVY INDUSTRIES	LPH	LADPRAO GENERAL HOSPITAL	WORK	WORKPOINT ENTERTAINMENT
CBG	CARABAO GROUP	MTLS	MUANGTHAI LEASING		

Source: www.thai-iod.com

**Disclaimer:** The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

## Anti-corruption Progress Indicator

### Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
CPN	CENTRAL PATTANA	SCC	THE SIAM CEMENT		

### Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IFEC	INTER FAR EAST ENGINEERING	SVI	SVI
BBL	BANGKOK BANK	KBANK	KASIKORN BANK	TCAP	THANACHART CAPITAL
DCC	DYNASTY CERAMIC	KKP	KIATNAKIN BANK	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	KTB	KRUNG THAI BANK	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	MINT	MINOR INTERNATIONAL		
ERW	THE ERAWAN GROUP	SCB	THE SIAM COMMERCIAL BANK		

### Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	DTAC	TOTAL ACCESS COMMUNICATION	PACE	PACE DEVELOPMENT CORPORATION
ANAN	ANANDA DEVELOPMENT	GFPT	GFPT	PS	PRUKSA REAL ESTATE
AP	ASIAN PROPERTY DEVELOPMENT	GL	GROUP LEASE	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BA	BANGKOK AIRWAYS	GLOW	GLOW ENERGY	ROBINS	ROBINSON DEPARTMENT STORE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	SAMART	SAMART CORPORATION
BIGC	BIG C SUPERCENTER	HMPRO	HOME PRODUCT CENTER	SPALI	SUPALAI
BJCHI	BJC HEAVY INDUSTRIES	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CENEL	CENTRAL PLAZA HOTEL	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MAKRO	SIAM MAKRO	TMT	THAI METAL TRADE
CK	CH. KARNCHANG	MODERN	MODERNFORM GROUP	TPCH	TPC POWER HOLDING
CKP	CK POWER	NOK	NOK AIRLINES	WHA	NOK AIRLINES

### Level 2: Declared

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	GUNKUL	GUNKUL ENGINEERING	QH	QUALITY HOUSES
BH	BUMRUNGRAD HOSPITAL	ILINK	INTERLINK COMMUNICATION	TRT	TIRATHAI
GLOBAL	SIAM GLOBAL HOUSE	MTLS	MUANGTHAI LEASING	TVO	THAI VEGETABLE OIL

### Level 1: Committed

Stock	Company name	Stock	Company name	Stock	Company name
CBG	CARABAO GROUP	RS	RS	SAWAD	SRI SAWAD POWER 1979
MAJOR	MAJOR CINEPLEX GROUP				

### No progress

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	CPALL	CP ALL	WORK	WORKPOINT ENTERTAINMENT
BEM	BANGKOK EXPRESSWAY AND METRO	LPH	LADPRAO GENERAL HOSPITAL		

Source: www.cgthailand.org

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<b>Rating</b>	<b>Definition</b>
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.  <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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